Agenda	Item	No

File Code No. 220.03



## CITY OF SANTA BARBARA

## CITY COUNCIL AGENDA REPORT

**AGENDA DATE:** March 13, 2012

TO: Mayor and Councilmembers

**FROM:** Treasury Division, Finance Department

**SUBJECT:** Professional Services Agreement for Business License Audit

Services

**RECOMMENDATION:** That Council authorize the Finance Director to enter into a professional services agreement with MuniServices, LLC, in a form approved by the City Attorney, for business license tax audit services.

## DISCUSSION:

The City's revenue audit program consists of auditing businesses operating within the City to ensure the City receives all taxes and permit fees due under Titles 4 and 5 of the Santa Barbara Municipal Code (SBMC). As part of the adopted budget for Fiscal Year 2012, Council authorized the reinstatement of funding for audits of business license taxes, miscellaneous business permits, transient occupancy taxes, and tourism business improvement district fees. Funding for these types of audits was previously eliminated from the Finance Department budget due to budget reductions in recent years.

The professional services agreement with MuniServices, LLC would begin a comprehensive program to identify unlicensed businesses operating in the City and bring them into compliance with both the business license tax and business permit requirements. MuniServices, LLC currently provides both sales tax and utility users' tax auditing services to the City.

The fees associated with the proposed agreement with MuniServices will be on a contingency basis, which means the City will only pay fees to the extent MuniServices is successful in identifying and generating new revenues. The contingency fee under the proposed agreement is 40% of the additional revenue collected for deficiencies identified by MuniServices for current and prior periods. This type of fee arrangement is similar to the existing agreement between the City and MuniServices for sales tax audits.

The Fiscal Year 2012 Finance Department budget includes sufficient appropriations for this purpose. No additional budget appropriations are necessary.

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**PREPARED BY:** Jill Taura, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

APPROVED BY: City Administrator's Office